

BACKGROUND INFORMATION FOR ACCOUNTANT'S CERTIFICATION

For a carryover allocation of 2008 Housing Tax Credits, a Carryover Allocation Agreement must be executed by the project owner and the Minnesota Housing Finance Agency (Minnesota Housing) no later than December 31, 2008. In addition, all owners must meet two requirements to provide Minnesota Housing with assurance that the project qualifies for a carryover allocation. These requirements are:

1. All owners must prepare and sign a Statement of Carryover Allocation (HTC-6A); and
2. An attestation must be prepared by an independent Certified Public Accountant (HTC 6)

If the Owner seeks to have final carryover basis certification performed by the end of the year of the allocation then both of these documents must be submitted to Minnesota Housing no later than November 1, 2008 * Late submissions are subject to penalties. (*if a non-business day then the next calendar business day).

If the Owner elects the option to have final carryover basis certification performed by a date no later than a date which is one year ** after the date the allocation is made, both of these documents must be submitted to Minnesota Housing no later than May 1, 2009 * **.

[** The Minnesota Housing Tax Credit Program will continue to require that the CPA final certification be submitted by the May 1, 2009 * deadline. Upon written request by the owner/applicant, Minnesota Housing will consider an extension to this deadline. The written request must accompany the owner/applicant's carryover application package and clearly explain the reasons supporting the request. Minnesota Housing will issue a written response to all extension requests. An extension until October 1, 2009 * will be the maximum allowable.]

Statement of Carryover Allocation (Statement)

The rules for carryover allocations are found in the Internal Revenue Code Section 42(h)(1)(E) and Regulations Section 1.42-6.

The purpose of the Statement is to obtain the Owner's Certification of carryover-allocation basis (adjusted basis in land or depreciable property that is reasonably expected to be part of the project - see Code and Regulations) and reasonably expected basis (land and depreciable basis as of the close of the second calendar year following the calendar year of the allocation - See Code and Regulations) as of the certification date. The certification date is as identified above as November 1 or **if the Owner elects the option to have final carryover basis certification performed by a date no later than a date which is one year after the date the allocation is made, the certification must be made no later than May 1, 2009 * **.**

- The actual costs paid or incurred must be reported using the owner's method of accounting (cash or accrual). The Statement should contain a list of cost categories for actual costs paid or incurred through the certification date, and total development costs anticipated through the expected completion date. The categories listed on the attached Statement are a sample listing of cost categories and are not intended to be all inclusive.
- The Statement also requires determination of carryover-allocation basis and reasonably expected basis. Examples of categories that should be deducted from actual costs and total development costs in calculating carryover-allocation basis and reasonably expected basis include, but are not limited to the following:
 - Project Reserves
 - Finance Fees
 - Organizational Costs
 - Syndication Fees

Certification by Certified Public Accountant

Upon completion of the Statement, the owner must contract with an independent Certified Public Accountant (CPA) to attest to the assertions made by the owner on the Statement. This certification must conform to the Standards for Attestation Engagements, and must be submitted to Minnesota Housing on the CPA's letterhead stationary.

- The Statements on Standards for Attestation Engagements define an attestation engagement as one in which "a practitioner is engaged to provide a written conclusion about another party's written assertion." The types of engagements defined by the standards include an examination, a review, and agreed upon procedures.
- If the owner elects to have a CPA perform an agreed upon procedures engagement (an example agreed upon procedures report is attached), the procedures must include the following:
 1. Obtain and read a copy of the partnership's schedule of total development costs anticipated through the expected completion date of the project. Compare this schedule to Column B of the Statement of Carryover Allocation-Comparison of Carryover-Allocation Basis to Reasonably Expected Basis (Minnesota Housing form HTC-6A).
 2. Inspect or obtain copies of invoices and other supporting documentation for costs paid or incurred through the certification date.

Rely upon invoice copies and other documentation of costs paid or incurred together with inquiries of the partnership's management to substantiate the validity and timing of actual costs recorded.

Where the costs include costs for purchase of building materials which have not been incorporated into the Development, satisfy yourself that the documentation evidencing the purchase is properly accounted for as a completed sale.

Where costs are incurred by affiliates of the Developer, satisfy yourself that those costs are properly characterized as paid or incurred by the Developer (either by assumption, contribution or otherwise).

Where the costs include an accrual of development fees payable, satisfy yourself that an agreement to pay the development fees exists and that economic performance with respect to the services has occurred within the meaning of Section 461 of the Code and Treasury Regulation 1.461-4(d).

3. Analyze the adjustments made to the Total Costs (Line 70, Minnesota Housing Form HTC-6A) to arrive at Carryover-Allocation Basis (Column A, Minnesota Housing Form HTC-6A) and Reasonably Expected Basis (Column B, Minnesota Housing Form HTC-6A).
4. Compare Carryover-Allocation Basis (Line 77, Column A, Minnesota Housing Form HTC-6A) to Reasonably Expected Basis (Line 78, Column B, Minnesota Housing Form HTC-6A).

Minnesota Housing will use the Statement of Carryover Allocation and the related report issued by the CPA to determine if the partnership meets the requirements for a carryover allocation, and thus the validity of the Carryover Allocation Agreement between the owner and Minnesota Housing.

Carryover Allocation Important Dates

November 1, 2008 *	Carryover packages and Carryover Fee are due. Must include Minnesota Housing Form HTC-6, HTC-6A and Accountant's Report.
December 15, 2008 (estimated date)	Minnesota Housing sends completed Carryover Allocation Agreement to Owner for signature.
December 31, 2008	Carryover Agreement must be fully executed and notarized.
January 5, 2009	A fully executed and notarized Carryover Allocation Agreement must be returned to Minnesota Housing.
May 1, 2009 * **	Certification Date if the owner elects the option to have final carryover basis certification performed by a date no later than a date which is one year after the date the allocation is made.

(* if non-business day then next calendar business day)